MEPP
management employees pension plan

ANNUAL REPORT

05

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MEPP PROFILE

The Management Employees Pension Plan (MEPP) was originally established in 1972 as the Public Service Management Pension Plan for management employees of the Government of Alberta and approved agencies, boards and commissions.

In 1993, new legislation was passed that divided the plan into two separate plans: the Public Service Management (Closed Membership) Pension Plan (Closed Plan) and the MEPP (Plan).

Members who left the plan or retired before August 1, 1992 and those who had 35 years of pensionable service by August 1, 1992, became members of the Closed Plan. Funding for the Closed Plan is the responsibility of the Government of Alberta. Active members as of August 1, 1992 became members of MEPP.

MEPP is a contributory defined benefit plan, which means members contribute to the Plan and will receive a formula-based pension determined by their average pensionable salary and years of pensionable service. As of December 31, 2005 the Plan served 20 employers, 4,447 active members, 756 inactive members and 2,211 pensioners. A summary description of Plan provisions is in Note 1 of the financial statements. An overview of the choices and benefits under the Plan is provided in the *MEPP Members' Handbook* (see the MEPP Web site at www.mepp.ca).

The Board

Mandate

The Minister of Finance is the statutory administrator of the MEPP and holds all assets of the Plan in trust to provide benefits pursuant to the Plan and to meet Plan costs.

The *Public Sector Pension Plans Act* sets out the main objectives of the Management Employees Pension Board with respect to funding, administration, investments and amending the Plan.

The Board monitors the management of the Plan and acts in an advisory capacity to the Minister of Finance.

The Board:

- may advise the Minister on any pension matter that is of interest to persons receiving or entitled in the future to receive benefits under the Plan;
- must be consulted before Plan rule changes can be put in place;
- arranges for actuarial valuations, as required, and regularly reviews long-term actuarial assumptions;
- recommends general policy guidelines for the investment and management of the Plan's assets;
- reviews investment performance;
- recommends general policy guidelines on the administration of the Plan;
- reviews administrative decisions pursuant to a delegation from the Minister; and
- may advise the Minister on the Closed Plan.

Board Members

- The Board has seven members, comprised of three employee nominees, three persons nominated by Government and one non-voting member nominated by the Public Service Commissioner's Office.
- The offices of Board Chair and Vice Chair rotate every two years between Government and employee nominees.

Board Members

Standing:
Randy Garvey
Bill Lenius, Vice Chair
Lorne Saul-Demers
Fred Barth

Seated:
Rod McDermand
Nancy Bochard, Chair
Gail Armitage

Board Vision

Promised benefits will be paid.

Board Mission

To provide prudent governance of the MEPP and the Public Service Management (Closed Membership) Pension Plan and funds, and ensure the provision of cost-effective, timely services to members and pensioners.

Board Values and Principles

- Plan assets will be managed effectively and efficiently in compliance with legislation and regulations.
- All decisions made by the Board will be financially prudent, ensuring the overall financial health of the Plan is maintained and costs charged to the Plan are reasonable and equitable.
- MEPP will be managed in an effective and efficient manner to the benefit of the members.
- The Board members embrace the prudent person concept in exercising good judgment on behalf of beneficiaries.

Investment Committee

The Board established the Investment Commitee in 2000. The Investment Committee's role is to:
- address investment objectives of the Plan;
- identify and assess risk tolerance;
- develop constraints and guidelines on investment, asset ranges, suitable classes of investments and voting proxies;
- select benchmarks to assist in analyzing investment performance of the Plan fund; and
- review the performance of Alberta Investment Management (AIM).

The Investment Committee reports and makes recommendations to the Board.

MESSAGE FROM THE BOARD

The Board is committed to being active stewards of your pension plan. Our primary focus is on overseeing the management of the MEPP fund to help ensure there are sufficient assets to meet the pension benefits promised.

In 2005, the Board reviewed the feedback received from the Annual Report Survey circulated with the *2004 MEPP Annual Report.* Based on the results of this survey, the *2005 MEPP Annual Report* is being published on the MEPP Web site only and an abbreviated version will be mailed out to all active Plan members and pensioners.

Plan Funding

During 2005, the MEPP fund earned 13.1% net of investment expenses. This compares favourably with the Plan's target of 6.75% for investment earnings.

The actuarial valuation report completed as at December 31, 2003 showed that the benefits (liabilities) exceeded the assets of the Plan. As a result of this unfunded liability, the Government of Alberta increased contribution rates effective July 1, 2005 to 10.5% of pensionable salary for members and 18.0% of pensionable salary for participating employers, for a total contribution rate of 28.5%.

An actuarial valuation as at December 31, 2004 was also conducted, and although the unfunded liability had improved slightly, the actuary recommended a continuation of the same total funding rate of 28.5%. The Board provided the Minister of Finance with the results of this report, which was subsequently filed with the Canada Revenue Agency for funding purposes. The next actuarial valuation report is required no later than as at December 31, 2007 for funding purposes. In the meantime, the Board will continue to monitor the Plan's financial position on an on-going basis.

Plan Investments

With the assistance of its Investment Committee, the Board monitors the Plan's investment returns on a quarterly basis and reviews the asset mix annually. The Board also works with AIM and our external consultant, API Asset Performance Inc., on continued monitoring of the risks associated with the particular investments of the MEPP fund.

In 2005, the Board updated its *Statement of Investment Policies and Procedures* (SIPP). This document reflects the Board's changes to the Plan's asset mix, which were based on the results of the 2004 Asset-Liability Modeling Study and Value-at-Risk Assessment of the MEPP. The Asset-Liability Study addressed the risks and merits of various asset mix strategies, while the Value-at-Risk Assessment identified the correlation in downside risk with the individual securities. The changes made to the SIPP will also provide AIM with flexibility in their day-to-day investment management of the Plan fund while recognizing the Board's responsibility in monitoring and oversight of the fund's performance.

Most of the changes in the asset mix, with the exception of certain alternative investments classes, were implemented throughout 2005. In 2006, the Board will work with AIM to refine and implement the revised allocation to certain alternative investment classes as noted in the SIPP. The Board will also commence the development of a *Statement of Investment Beliefs* to guide us in future recommendations.

Governance

Throughout 2005, the Board regularly communicated with representatives from Alberta Finance on the issues of funding and governance. We will continue to work in partnership with representatives of Alberta Finance and the Personnel Administration Office in 2006 to address the Board's recommended changes and establish a clearer direction for all parties involved in the management and administration of the Plan, and the investment of the Plan fund.

In 2006, the Board will work with Alberta Finance to review Board member selection criteria and education requirements. Board members will also continue to focus on increasing their knowledge of pension, investment and trustee related matters in order to serve the Plan and its members to the best of their abilities.

For further information on the Board's initiatives, please see the Board's *2006 – 2008 Business Plan* on the MEPP Web site at www.mepp.ca.

2006 Board

On behalf of the Board, I would like to acknowledge and thank Randy Garvey, who ended his term on the Board at the end of 2005 after one year of service as an employee nominee. I am pleased to welcome two new employee nominees commencing in 2006: David Lawson is the Chief Investment Officer at the Workers' Compensation Board, and Scott Kashuba is Manager, Business Planning and Reporting with Alberta Infrastructure and Transportation. I would also like to congratulate Rod McDermand on his reappointment as a government nominee for another three years, Gail Armitage on her reappointment as an employee nominee for another two years, and Lorne Saul-Demers on his reappointment as a nominee for the Public Service Commissioner's Office for another year.

The success of the Board depends on the assistance of many people. The Board would like to acknowledge and extend thanks to the two external members on our Investment Committee – Tania Willumsen and Jim Hinks. The Board would also like to thank Alberta Finance, the Personnel Administration Office, AIM and Alberta Pensions Administration (APA) Corporation for their respective contributions in assisting the Board throughout 2005.

Finally, the Board would like to extend its heartfelt thanks to the Board Secretary, Christa Taylor, for her excellent support and dedication throughout the past year.

As my term as Chair on the Board has come to an end, I would like to thank the Board for its support over the past two years. I would also like to welcome Gail Armitage as incoming Chair effective January 1, 2006. I look forward to her leadership and to my new position as Vice Chair of the Board.

Nancy J. Bochard

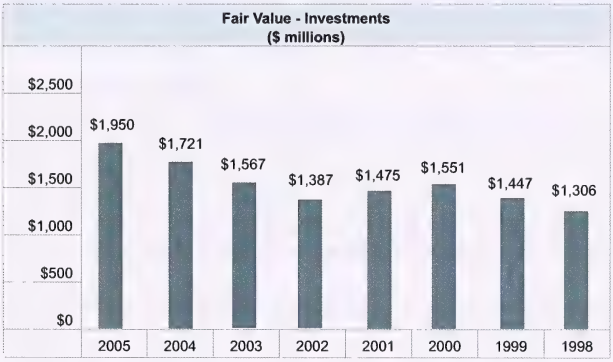
Nancy Bochard
Chair, Management Employees Pension Board

HIGHLIGHTS

- For 2005, the Plan experienced a one-year investment gain of 13.1%. In 2004, investments gained 10.2%.
- Net assets available for benefits at the end of 2005 were $1.96 billion, up from $1.73 billion at the end of 2004.
- Contributions made to MEPP in 2005 totalled $87.0 million, up from $66.7 million in 2004.

Contributions	$ millions	%
Employer Contributions	51.8	59.5
Member Contributions	34.2	39.3
Transfers from Other Plans	1.0	1.2

- Payments from the Plan totalled $80.2 million, up from $71.9 million in 2004. Payments included $76.9 million in pension benefits, $1.9 million in refunds to members and $1.4 million in Plan expenses.
- The cost-of-living adjustment (COLA) granted to pensioners who retired prior to January 1, 2005 is 1.20%, effective January 1, 2006. This is 60% of the 2.0% increase in the Alberta Consumer Price Index over the 12-month period ending October 31, 2005, in comparison with the 12-month period ending October 31, 2004.



Monthly Payment Distribution December 31, 2005	
Dollar Value per Month	Pensions Paid
1 to 999	247
1,000 to 1,999	394
2,000 to 2,999	528
3,000 to 3,999	584
4,000 and over	458
Total	**2,211**

DISCUSSION AND ANALYSIS

This Discussion and Analysis (D&A), together with MEPP financial statements, provide an overview of initiatives and achievements during the past year. This D&A does not refer to the Closed Plan, as the funding for that plan is the responsibility of the Government of Alberta.

Review of 2005

Plan Funding

As at December 31, 2005, the Plan's net assets available for benefits were $1.96 billion and the actuarial value of accrued benefits was approximately $2.12 billion, resulting in a shortfall of approximately $166 million.

Contribution Rates

New contribution rates, based on the December 31, 2003 actuarial valuation, went into effect on July 1, 2005:

	From July 1 - December 31, 2005 %	From January 1 - June 30, 2005 %
Members	10.5	9.5
Employers	18.0	13.1
Total	**28.5**	**22.6**

Regulation Changes

The *Management Employees Pension Plan Regulation* (A.R. 367/93) was revised in 2005 as follows:

- Effective July 1, 2005, contribution rates to the MEPP increased to 10.5% of pensionable salary for members and 18.0% of pensionable salary for participating employers. The Lieutenant Governor in Council approved the change under Order in Council 163/2005.
- Effective August 1, 2005, automobile allowances are no longer pensionable under the MEPP. The Lieutenant Governor in Council approved the change under Order in Council 370/2005.

To obtain more information about these changes or any upcoming changes in 2006, please go to the MEPP Web site at www.mepp.ca.

INVESTMENTS

Investment Overview

Led by the energy sector, the Canadian stock market posted very strong returns in 2005. Oil prices increased to record levels during the year. As a result, the energy sector in the Standard and Poor's (S&P)/Toronto Stock Exchange (TSX) Composite Index increased by 61.7% over the year. Overall, the S&P/TSX Index increased by 24.1% this year.

The Canadian dollar continued to strengthen against world currencies such as the euro, yen, pound and U.S. dollar. Federal surpluses, rising oil prices, robust growth forecasts and expectations of higher interest rates helped fuel the increase in value of the Canadian dollar. At December 31, 2005, one U.S. dollar purchased $1.17 Canadian compared to $1.20 at December 31, 2004. As a result, the value of the Plan's U.S. equity investments decreased when translated into Canadian dollars, resulting in lower investment income.

The S&P 1500 Index, which tracks the performance of the top 1,500 American companies, increased by 5.7% over the year in U.S. dollars. In Canadian dollars, the increase in the S&P 1500 Index was lower at 2.4%.

Overall, non-North American markets had healthy returns in 2005. The Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE) Index measures the performance of approximately 1,000 companies on 21 stock exchanges around the world. The index increased by 10.0% in Canadian dollars. Growth in demand from China continued to be strong during 2005, keeping commodity prices firm.

Overall, the Plan earned a return of 13.1% in 2005 compared to 10.2% in 2004. The fair value of the Plan's investments increased to $1.95 billion, up $229 million from $1.72 billion the previous year.

AIM, the investment operation of Alberta Finance, aids the Alberta Minister of Finance in the investment management of the Plan. AIM invests MEPP's assets for the benefit of its members, subject to legislation, and the SIPP recommended by the Board.

The Board monitors the services provided to the Plan by AIM. Services provided and charges for those services (including performance standards) are set out in the Operating Protocol between AIM and the Board.

The Board has designed the Plan's investment policies with a focus on assessing the risk tolerance of the Plan and ways to manage the inherent volatility of the long-term asset mix. An independent investment consultant, API Asset Performance Inc., assists the Board in its oversight of the investment performance of the Plan.

MEPP's asset allocation policy is structured to capture the historically higher rates of return from equities. At December 31, 2005, the target asset mix is weighted more towards equities at 54.0% followed by fixed income securities at 34.0%, real estate at 7.0%, private equities and private income at 2.0% each and 1.0% to absolute return investments. The illiquid asset classes, such as real estate, private equity, private income and absolute return strategies, are not always readily available for purchase; therefore, the Board has designated an interim policy asset mix to facilitate the transition. As at December 31, 2005, the interim policy asset mix is 54.0% equities, 39.0% fixed income, 6.0% real estate, 0.5% private equities and 0.5% private income. The Board intends that the interim policy will move towards the long-term target asset mix as illiquid assets become available for investment.

AIM manages the majority of MEPP's investments internally. However, in order to achieve greater diversification, access external expertise and specialized knowledge, as well as reduce operational complexity, some equity investments are managed by third party investment managers selected and monitored by AIM.

Statement of Investment Policies and Procedures

The SIPP is reviewed and updated annually by the Board. This document sets out the governing investment principles and procedures, considering the Plan's provisions, characteristics, and financial obligations. It also defines the management structure and monitoring procedures.

The Plan's long-term investment expectation is specified in the SIPP. The Board's long-term investment expectation for the Plan is 6.75%, which includes a real rate of return of 4.0% and inflation of 2.75%. The SIPP can be viewed on the Web site at www.mepp.ca.

Asset Mix

The table below shows MEPP's target long-term and interim policy asset mixes in comparison to the Plan's actual asset mix at December 31, 2005 and the previous year.

Asset Mix %				
	Target Policy	**Interim Policy**	**Actual 2005**	**Actual 2004**
Fixed Income				
Cash and Short-term	0.5	0.5	0.8	1.7
Long-term	30.0	35.0	34.3	32.4
Real Return Bonds	3.5	3.5	3.6	4.8
	34.0	39.0	38.7	38.9
Equities				
Canadian	24.0	24.0	23.1	25.4
United States	14.0	14.0	14.5	14.5
Non-North American	16.0	16.0	16.1	15.7
	54.0	54.0	53.7	55.6
Real Estate	7.0	6.0	6.5	4.8
Alternative Investments				
Private Equities	2.0	0.5	0.6	0.4
Private Income	2.0	0.5	0.5	0.3
Absolute Return Strategies	1.0	0.0	-	-
Total	**100.0**	**100.0**	**100.0**	**100.0**

Investment Results in Relation to Benchmarks

The investment return for each asset class and the overall performance of the Plan's assets are measured against clearly defined benchmarks that have been established in the SIPP. MEPP's investment policy benchmark (referred to as the policy benchmark) is based on the long-term asset mix weightings of the portfolio invested in the following capital market indexes:

	Annual Returns ($ Canadian)*				Annualized Returns**	
	2005 %	2004 %	2003 %	2002 %	4 Years %	8 Years %
Overall Actual Returns	**13.1**	**10.2**	**13.7**	**-5.3**	7.6	7.3
Policy Benchmark	11.9	10.0	12.8	-5.6	7.0	6.8
Consumer Price Index	2.2	2.1	2.0	3.9	2.5	2.2
Short-term Fixed Income	**2.9**	**2.8**	**3.1**	**2.9**	**2.9**	**4.0**
SC 91-Day T-Bill Index	2.6	2.3	2.9	2.5	2.6	3.7
Bonds and Mortgages	**7.2**	**7.9**	**7.5**	**9.5**	**8.0**	**7.4**
SC Universe Bond Index	6.5	7.1	6.7	8.7	7.3	6.9
Real Rate of Return Bonds	**15.2**	**17.6**	**13.5**	**15.2**	**15.4**	**11.4**
SC Real Return Bond Index	15.2	17.5	13.3	15.3	15.3	11.4
Total Long-term Fixed Income	**7.9**	**9.2**	**8.4**	**10.2**	**8.9**	**7.8**
Fixed Income Index (1)	7.2	8.5	7.6	9.6	8.2	7.4
Canadian Equities	**24.6**	**15.3**	**26.3**	**-12.9**	**12.1**	**9.5**
S&P/TSX Capped Composite (2)	24.1	14.1	26.7	-12.4	12.0	9.7
United States Equities	**1.8**	**3.1**	**7.3**	**-22.3**	**-3.3**	**1.8**
S&P 1500 Index (3)	2.4	3.9	5.3	-22.9	-3.6	2.3
Non-North American Equities	**13.1**	**12.3**	**14.1**	**-15.7**	**5.1**	**5.9**
MSCI EAFE Index	10.0	12.0	13.4	-16.8	3.8	3.6
Foreign Equities	**7.8**	**7.8**	**10.9**	**-18.9**	**1.1**	**4.1**
Foreign Equity Index (4)	6.6	7.9	9.3	-19.8	0.2	3.0
Real Estate	**29.9**	**10.6**	**10.0**	**n/a**	**n/a**	**n/a**
IPD Large All Property Index (5)	20.8	13.8	8.2	n/a	n/a	n/a
Alternative Investments	**15.9**	**-2.5**	**0.7**	**n/a**	**n/a**	**n/a**
Alternative Investments Index (6)	13.2	n/a	n/a	n/a	n/a	n/a

* Annual returns are the returns for one calendar year (12 months).
** Annualized returns convert multi-period returns (such as four years) into a compound annual return for ease of comparison between the time periods.

(1) Combined SC Bond Universe Index and Real Return Bond Index.
(2) As of June 1, 2001, 100% S&P/TSX Capped Composite.
(3) S&P 1500 Index new for 2005. Previously S&P 500 Index.
(4) Combined S&P 1500 Index and MSCI EAFE Index.
(5) Changed to IPD Large Institutional All Property Index from the IPD All Property Index effective May 1, 2004. Prior to January 1, 2003, the Real Estate Index was the Russell Canadian Property Index (RCPI).
(6) Combined TSX Composite + 2.5% for private equity and CPI + 6% for private income.
Certain comparative figures have been restated to reflect finalized results.

AIM's performance is compared against the policy benchmark to measure the effectiveness of its investment decisions. Performance is reviewed quarterly, with the emphasis on four-year returns.

In 2005, the Plan recorded an overall return of 13.1% from its investments, 120 basis points better than its policy benchmark return of 11.9%. Over four years, the Plan's investments returned 7.6%, 60 basis points better than the benchmark return of 7.0%. On an eight-year basis, the Plan returned 7.3%, exceeding the policy benchmark return of 6.8% by 50 basis points.

The table below shows the value added by AIM in comparison to the various components of the policy benchmark.

Value Added/Lost by Manager in Comparison to Benchmarks		
	1 Year %	4 Years %
Short-term Fixed Income	0.3	0.3
Bonds and Mortgages	0.7	0.7
Real Rate of Return Bonds	0.0	0.1
Canadian Equity	0.5	0.1
U.S. Equity	-0.6	0.3
Non-North American Equity	3.1	1.3
Real Estate	9.1	n/a
Alternative Investments	2.7	n/a
Total Value Added	**1.2**	**0.6**

Fixed Income Investments

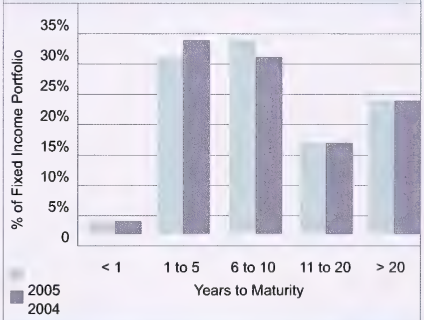
During the year, the U.S. Federal Reserve raised rates for the fourteenth consecutive time to 4.5%, 2.25% greater than at the beginning of the year. In Canada, the overnight rate ended the year at 3.5%, 0.75% greater than at the beginning of the year.

Overall, the Canadian bond market performed well this year. The Scotia Capital (SC) Universe Bond Index measures the performance of marketable Canadian bonds with terms to maturity of more than one year. Over the past year, the SC Universe Bond Index increased by 6.5% compared to an increase of 7.1% the previous year. The short-term SC 91-Day T-Bill Index increased by 2.6% compared to 2.3% the previous year.

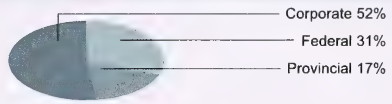
The Plan's actual rate of return over one year from long-term Canadian fixed income securities was 7.9%, 70 basis points better than the benchmark of 7.2%. Over four years, the return from long-term fixed income securities was 8.9%, or 70 basis points better than the benchmark of 8.2%.

At December 31, 2005, investments in bonds, mortgages, and real rate of return bonds decreased to 38.7% of total investments from 38.9% at the end of the previous year. Fixed income investments now total $754 million, up $84 million from $670 million the previous year.

Fixed Income Term Maturity Profile



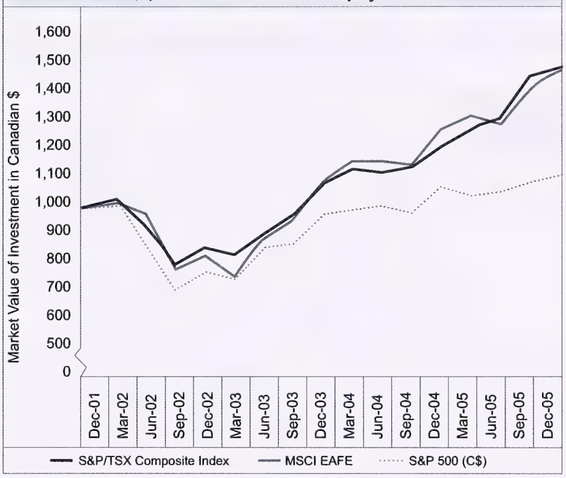
Summary of Fixed Income Holdings (issued and guaranteed by)



Equity Investments

Given MEPP's long-term investment horizon, its asset mix policy is structured to capture the historically high rate of return from equities. Equities represent 53.7% of the Plan's total asset mix at December 31, 2005 and consist of 23.1% in Canada, 14.5% in U.S. and 16.1% in non-North American markets.

The chart below shows the growth in $1,000 dollars invested from December 31, 2001 to December 31, 2005 in each of the three major equity markets: S&P/TSX Composite Index in Canada, S&P 500 Index in the U.S. and the MSCI EAFE Index in the non-North American equity market.



Canadian Equities

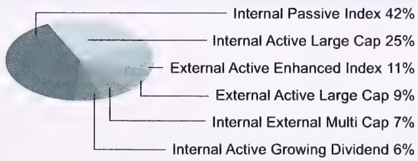
At December 31, 2005, Canadian equities represented 23.1% of MEPP's total investments (or $451 million) compared to 25.4% (or $436 million) at the end of the previous year. Canadian equities are managed through several strategies including both passive index and active mandates. AIM manages the passive index and select active large cap strategies internally. External investment advisors also actively manage a large cap strategy (investing in companies with large market capitalization and incorporating value, growth, and core styles).

The actual return from Canadian equity investments over the year was 24.6%, 50 basis points better than the benchmark S&P/TSX Capped Composite index of 24.1%.

Canadian Equity Holdings

By Industry Sector		2005 %	2004 %
1	Financials	32	30
2	Energy	27	18
3	Materials	15	17
4	Consumer discretionary	6	8
5	Industrials	6	9
6	Telecommunications	5	4
7	Information technology	4	6
8	Consumer staples	3	5
9	Health care	1	2
10	Utilities	1	1
		100	100

Summary of Canadian Equity Holdings



Foreign Equities

The foreign equity allocation is divided into U.S. and non-North American equity markets. The non-North American segment includes investments in Europe, Australasia and the Far East (EAFE) and emerging markets. Emerging market includes exposure to developed emerging markets on an opportunistic basis.

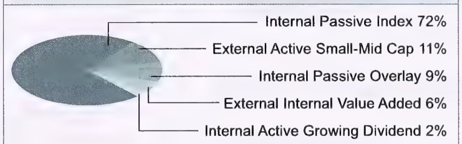
U.S. Equities

At December 31, 2005, U.S. equities comprised 14.5% of the Plan's total investments (or $282 million) compared to 14.5% (or $249 million) the previous year. The U.S. portfolio is comprised of internally managed passive index and large cap strategies and externally managed active small-mid cap strategies. The actual return from U.S. equities over the year was 1.8%, 60 basis points less than the benchmark S&P 1500 Index of 2.4% measured in Canadian dollars.

U.S. Equity Holdings

	By Industry Sector	2005 %	2004 %
1	Financials	22	21
2	Information technology	15	14
3	Health care	13	12
4	Industrials	12	13
5	Consumer discretionary	11	16
6	Consumer staples	9	8
7	Energy	9	7
8	Materials	3	4
9	Telecommunications	3	2
10	Utilities	3	3
		100	100

Summary of U.S. Equity Holdings



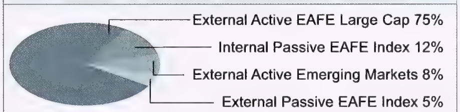
Non-North American Equities

Non-North American equities comprised 16.1% (or $314 million) of total Plan investments at December 31, 2005 compared to 15.7% (or $269 million) the previous year. The actual return from non-North American equity markets over the year totalled 13.1%, 310 basis points better than the benchmark MSCI EAFE Index of 10.0% in Canadian dollars.

Non-North American Equity Holdings

	By Industry Sector	2005 %	2004 %
1	Financials	28	28
2	Industrials	13	11
3	Consumer discretionary	12	14
4	Energy	8	9
5	Health care	8	6
6	Materials	8	8
7	Consumer staples	7	6
8	Information technology	6	5
9	Telecommunications	6	9
10	Utilities	4	4
		100	100

Summary of Non-North American Equity Holdings



Real Estate

At December 31, 2005, the Plan's real estate portfolio comprised 6.5% (or $127 million) of total investments compared to 4.8% (or $83 million) the previous year. Investments are primarily in a mix of office, retail, industrial and residential properties in major Canadian urban areas including Toronto, Ottawa, Montreal, Calgary, Edmonton, and Vancouver. The focus is on quality, featuring strong locations and tenants.

The actual real estate return in 2005 was 29.9%, 910 basis points better than the benchmark IPD Large All Property Index return of 20.8%.

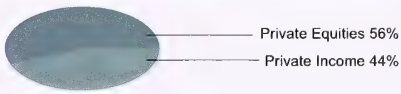
Real Estate by Type

Real Estate by Province

Alternative Investments

At December 31, 2005, the Plan's alternative investment portfolio comprised 1.1% (or $23 million) of total investments compared to 0.7% (or $13 million) the previous year. The alternative investment portfolio consists of private equities and private income investments that are both relatively illiquid asset classes and require time to build and exit investments. Private equity investments include primarily venture capital and merchant banking investments. Venture capital investments include early stage financings and in some cases financing start-up companies. Merchant banking transactions include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions. Private income investments include infrastructure related projects that are structured to yield high current income.

Alternative Investments



The actual return from alternative investments during the year was 15.9% compared to the benchmark return of 13.2%.

Looking Forward

Equity markets will likely be characterized by modest growth as continued downside risks present themselves to investors due in part to high concentrations in some markets. Fixed income markets are likely to continue trading within a relatively narrow range as present valuations provide little potential for large capital gains, but well-contained inflation expectations and the likelihood of an economic slowdown may limit the potential for material increases in yields. The potential remains that credit spreads will widen somewhat; however, corporate balance sheets are in excellent shape. This should help mitigate the risk of a market-wide increase in credit spreads.

Although the U.S. economy appears poised to begin 2006 strongly, it is expected that the year will be characterized by a decrease in the growth rate. There is growing evidence that the housing market may be cooling off, which would take away an important element of the consumer sector's activity of recent years – the monetization of home equity values to fund consumption. The actions of the Federal Reserve Board will also be closely watched, as there is a reasonable likelihood that they will continue the tightening campaign that began in June 2004 through March 2006, or longer. Given consumers' leverage to short interest rates, resulting from such factors as variable rate mortgages, continued interest rate hikes may curtail consumption growth. In addition, higher rates would likely limit profit growth of the corporate sector. Given the recent historically high corporate profit growth, a slowdown in the rate of profit growth would be expected.

The Canadian economy has a slightly different outlook than the U.S. Growth in Canada has been largely driven by commodity-related activity. Strong commodity prices have led to strong profit growth and, consequently, what some consider unhealthy concentrations in the Canadian equity market. Over 40% of the Canadian equity market's value was attributable to commodity-related sectors at the end of 2005, making Canadian equities vulnerable to a downturn if commodity prices soften. Further, commodity-related growth has made the Bank of Canada more aggressive in increasing interest rates despite a strong Canadian dollar. However, strength in the dollar has caused a slowdown in the export-dependent manufacturing sector in Canada. Going forward, the Bank of Canada will need to find the right balance between these competing factors.

In real estate, it is expected that the combination of capital availability and low interest rates will sustain demand for real estate in 2006. As vacancy levels drop in Canada's office markets, rental rates, especially for prime space, are expected to increase. Scarcity of suitable industrial real estate, particularly in Vancouver, Calgary and Toronto, led to a boom in industrial construction in 2005 and this is expected to continue in 2006. Despite these supply additions, the national availability rate rose only marginally in 2005 and is projected to continue to increase slightly in 2006. Meanwhile, the national retail vacancy rate is expected to increase moderately in 2006 with rental rates remaining stable.

Risk Management System

AIM has implemented a market risk management system to model and measure the market risks associated with investments for MEPP. The system provides a comprehensive framework for measuring, monitoring, and managing risk to assist in the decisions regarding investment and risk policies. The intent of the risk system is to support decisions regarding investment and risk policies. The risk summary report will be distributed on a quarterly basis to the Board, beginning with delivery of the fourth quarter 2005 report.

Proxy Voting

The Board has delegated to AIM the responsibility of voting proxies. AIM votes in the best interests of Plan beneficiaries and in accordance with established policies through a service provider, Institutional Shareholder Services (ISS). The annual policy update by ISS supports and applies recent developments in corporate governance oversight. AIM applies policies, which adhere to the principles of the Dey Report, while monitoring the opinions of peer organizations regarding contentious votes. The proxy voting policies support responsible management practices. AIM believes in responsible investing based on owning well managed, legally operating companies in Canada and in countries where Canada has normal trade relationships.

PLAN ADMINISTRATION

APA Corporation provides administrative services to MEPP under an Administrative Services Agreement with the administrator of the Plan, the Minister of Finance. The Corporation's core business is to provide benefit administration for pension plan members, pensioners and employers by paying pension benefits, collecting pension plan contributions, maintaining membership records and providing information to members, pensioners and employers. The Corporation also provides support services to the Management Employees Pension Board.

Initiatives

The Corporation pursued the following initiatives in 2005:

mypensionplan – In 2005 the new online pension information service, mypensionplan, was made available to all Plan members through the MEPP Web site. Invitations to sign on to mypensionplan were sent to members along with their Member Annual Statements.

With mypensionplan, members can see and use their own pension information on file with their pension plan. This includes being able to see who is listed as beneficiary(ies), review annual statements and calculate pension estimates. Members also have access to forms and their relevant employment history including service, salary and contributions. In 2005, 408 MEPP members signed on to mypensionplan.

Matrimonial Property Orders – Legislation passed in 2003 affected the way pensions are divided on marital breakdown. To accommodate this, a special project team completed the necessary changes to the pension administration system.

Member Service Costs

APA Corporation's costs are distributed amongst the public sector pension plans it serves. MEPP per member costs are based on a cost-share formula, which allocates APA Corporation's operating costs according to a formula decided by the Minister of Finance and detailed in the Administrative Services Memorandum of Understanding between APA Corporation and the Board.

The cost per member for administrative services decreased 5.7% to $198 in 2005 (2004 $210). Though APA Corporation operating costs increased, resulting in an increase of $2 per member, Board and Plan-specific costs decreased, resulting in a decrease of $14 per member. This reduction is mainly attributed to reduced consulting work undertaken by the Board in 2005.

Cost per Member	2005 Actual	2004 Actual
APA Corporation Operating Costs*	$163	$161
Board and Plan-specific Costs	35	49
Total Plan Operating Costs	**$198**	**$210**

* Includes strategic and operating initiatives.

Communication and Education Services

In 2005, APA Corporation provided the following services for MEPP members:

#	Communication or Education Service Provided
523	Member Welcome Packages were sent to new members
9	Member Seminars were held
136	Members participated in Member Seminars
37	Members attended One-on-One Sessions held across Alberta
6,500	Copies of the *2004 MEPP Annual Report* were printed

The Corporation also provided each employer with 18 separate editions of the electronic newsletter, *Pension e-news*.

For further information on APA Corporation's activities in 2005, please go to APA Corporation's Web site at www.apaco.ab.ca.

2005 FINANCIAL STATEMENTS

ACTUARY'S OPINION

Aon Consulting Inc. was retained by the Management Employees Pension Board to perform actuarial valuations of the assets and liabilities of the Management Employees Pension Plan as at December 31, 2004. Aon Consulting Inc. was further retained to prepare extrapolations of the valuation results to December 31, 2005 for inclusion in the Annual Report with respect to the Management Employees Pension Plan for the Year Ended December 31, 2005.

The valuation and extrapolation of the Plan's actuarial assets and liabilities were based on:

- membership data provided by Alberta Pensions Administration (APA) Corporation as at December 31, 2004, and asset data provided by APA Corporation as at December 31, 2004 and December 31, 2005;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- assumptions about future events (economic and demographic) which were developed by management and Aon Consulting Inc. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

I have tested the data for reasonableness and consistency with prior valuations and in my opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. I also believe that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. My opinions have been given, and my valuation and extrapolation have been performed in accordance with accepted actuarial practice.

Wayne R. Berney

Wayne R. Berney
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Management Employees Pension Plan (Plan) financial statements and financial information in the 2005 Annual Report are the responsibility of the Minister of Finance. These responsibilities are undertaken on behalf of the Minister of Finance by:

- Alberta Investment Management, the investment operation of Alberta Finance, which is responsible only for the management of assets, subject to legislation and to the investment policies and goals approved by the Plan Board, and
- Alberta Pensions Administration (APA) Corporation, which is responsible for administration of the Plan under an Administrative Services Agreement with the Minister of Finance.

The financial statements and information in the annual report have been approved by the Plan Board.

The financial statements have been prepared by Alberta Finance in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2005 Annual Report that relates to the operations and financial position of the Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, Alberta Finance, APA Corporation and Alberta Investment Management each maintain a system of internal controls comprising written policies, standards and procedures, and a formal accountability structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments, and financial statements.

Brian Manning
Deputy Minister of Finance

Brad Sonnenberg
Interim Chief Executive Officer
Alberta Pensions Administration Corporation

March 3, 2006

AUDITOR'S REPORT

AUDITOR GENERAL
Alberta

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Management Employees Pension Plan (the Plan) as at December 31, 2005 and the Statements of Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Benefits of the Plan as at December 31, 2005 and the Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
March 3, 2006

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Net Assets Available for Benefits and Accrued Benefits

As at December 31, 2005

	2005	2004
	($ thousands)	
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,949,988	$ 1,721,340
Accrued investment income and accounts receivable	358	414
Contributions receivable		
Employees	2,922	2,272
Employers	5,002	3,093
	1,958,270	1,727,119
Liabilities		
Accounts payable	98	141
Net assets available for benefits	1,958,172	1,726,978
Accrued benefits		
Actuarial value of accrued benefits	2,124,067	1,995,079
Deficiency	**$ (165,895)**	**$(268,101)**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2005

	2005	2004
	($ thousands)	
Net investment income (Note 6)		
Investment income	$227,795	$ 163,484
Investment expenses	(3,368)	(3,208)
	224,427	160,276
Member service operations		
Contributions		
Current and optional service		
Employees	34,157	28,648
Employers	51,846	38,015
Pension benefits	(76,873)	(68,145)
Refunds to members	(1,900)	(2,117)
Transfers from (to) other plans, net	953	(186)
Member service expenses (Note 7)	(1,416)	(1,427)
	6,767	(5,212)
Increase in net assets	231,194	155,064
Net assets available for benefits at beginning of year	1,726,978	1,571,914
Net assets available for benefits at end of year	**$1,958,172**	**$1,726,978**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Changes in Accrued Benefits

For the year ended December 31, 2005

	2005	2004
	($ thousands)	
Increase in accrued benefits		
Interest accrued on benefits	$ 134,735	$ 126,393
Benefits earned	70,351	62,828
	205,086	189,221
Decrease in accrued benefits		
Benefits paid and transfers	(77,820)	(70,448)
Other changes in accrued benefits (Note 8)		
Net experience (gains) losses	(19,648)	14,378
Losses due to changes in actuarial assumptions	1,652	-
Impact of salary range increases	9,467	-
Loss due to increase in the maximum pensionable salary limit	10,251	-
	1,722	14,378
Net increase in accrued benefits	128,988	133,151
Accrued benefits at beginning of year	1,995,079	1,861,928
Accrued benefits at end of year (Note 8)	**$ 2,124,067**	**$ 1,995,079**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Changes in Deficiency

For the year ended December 31, 2005

	2005	2004
	($ thousands)	
Deficiency at beginning of year	$ (268,101)	$ (290,014)
Increase in net assets available for benefits	231,194	155,064
Net increase in accrued benefits	(128,988)	(133,151)
Deficiency at end of year	**$(165,895)**	**$ (268,101)**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Notes to the Financial Statements

December 31, 2005

Note 1 - Summary Description of the Plan

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act,* Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 367/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992 and have not withdrawn from the Plan since that date continue as members of this Plan. The Plan is a registered pension plan as defined in the *Income Tax Act.* The Plan's registration number is 0570887.

(b) Funding Policy

Current service costs and the Plan's actuarial deficiency (see Note 9) are funded by employee and employer contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 2005 were 10.5% (2004 9.5%) of pensionable salary up to the *maximum pensionable salary limit* under the federal *Income Tax Act* for employees and 18.0% (2004 13.1%) for employers. The rates are reviewed at least once every three years by the Minister of Finance, in consultation with the Board, based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at the *maximum pensionable salary limit* under the federal *Income Tax Act.* The maximum service allowable under the Plan is 35 years.

Pensions are payable to members who have attained age 65 at retirement.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60, or age 55 and the sum of their age and years of service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving pension partner may choose to receive a survivor pension, or a lump sum payment. For a beneficiary other than a pension partner, or where service is less than five years, the benefits take the form of a lump sum payment.

Note 1 - Summary Description of the Plan (continued)

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a lump sum payment or a deferred pension. The lump sum payment is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. The commuted value portion of the lump sum payment is subject to the Plan's lock-in provisions.

(g) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1 by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the 12-month period ending on October 31 in the previous year.

(i) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

Note 2 - Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

(i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

(iii) The fair value of alternative investments including investments in private investment funds, private equities and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance. This is done using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate.

Note 2 - Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Valuation of Assets and Liabilities (continued)

(iv) Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

(v) The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

(v) Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(f) Measurement Uncertainty

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Note 2 - Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Measurement Uncertainty (continued)

Measurement uncertainty exists in the calculation of the Plan's actuarial value of accrued benefits and in the valuation of the Plan's private and alternative investments and real estate. Uncertainty arises because:

(i) the Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits, and

(ii) the estimated fair values of the Plan's private and alternative investments and real estate may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the calculation of the Plan's accrued benefits and in the valuation of the Plan's private and alternative investments and real estate, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in accrued benefits in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized are included in net investment income in the year when the ultimate realizable values are known.

Note 3 - Investments (Schedules A to E)

	2005 Fair Value ($ thousands)	%	2004 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$11,941	0.6	$29,865	1.7
Canadian Dollar Public Bond Pool (b)	568,464	29.2	476,729	27.7
Private Mortgage Pool (c)	100,428	5.1	81,601	4.7
Real rate of return bonds (d)	69,780	3.6	82,288	4.8
External Managers Currency Alpha Pool (e)	3,003	0.2	-	-
Total fixed income securities	753,616	38.7	670,483	38.9
Canadian Equities (Schedule B)				
Domestic Passive Equity Pooled Fund (f)	200,825	10.3	121,534	7.1
Canadian Pooled Equities Fund (g)	118,669	6.1	34,941	2.0
External Managers				
Canadian Equity Enhanced Index Pool (h)	50,447	2.6	-	-
Canadian Large Cap Equity Pool (i)	41,581	2.1	187,979	10.9
Canadian Small Cap Equity Pool	-	-	56,075	3.3
Growing Equity Income Pool (j)	27,396	1.4	34,188	2.0
Canadian Multi-Cap Pool (k)	31,710	1.6	-	-
Overlay U.S. Equity Pool (o)	(21,175)	(1.1)	-	-
Private Equity Pool	1,453	0.1	1,565	0.1
	450,906	23.1	436,282	25.4
United States Equities (Schedule C)				
U.S. Passive Equity Pooled Fund (l)	119,640	6.1	49,246	2.9
S&P 500 Pooled Index Fund (l)	80,243	4.1	66,006	3.8
External Managers				
U.S. Mid/Small Cap Equity Pool (m)	32,187	1.7	29,414	1.7
U.S. Large Cap Equity Pool	-	-	101,166	5.9
Portable Alpha U.S. Equity Pool (n)	16,790	0.9	-	-
Overlay U.S. Equity Pool (o)	26,452	1.4	-	-
Growing Equity Income Pool (j)	6,871	0.3	3,397	0.2
	282,183	14.5	249,229	14.5
Non-North American Equities (Schedule D)				
External Managers				
EAFE Active Equity Pool (p)	234,175	12.0	-	-
EAFE Passive Equity Pool (q)	16,430	0.9	13,414	0.8
EAFE Core and Plus Equity Pool	-	-	202,013	11.7
Emerging Markets Equity Pool (r)	23,913	1.2	18,329	1.1
EAFE Structured Equity Pooled Fund (q)	39,409	2.0	35,436	2.1
	313,927	16.1	269,192	15.7
Alternative Investments - Equities				
Private Equity 2002, Private Equity 2004 and Private Income Pools (s)	22,560	1.1	12,963	0.7
Real Estate Equities (Schedule E)				
Private Real Estate Pool (t)	126,796	6.5	83,191	4.8
Total equities	1,196,372	61.3	1,050,857	61.1
Total investments	**$1,949,988**	**100.0**	**$1,721,340**	**100.0**

Note 3 - Investments (Schedules A to E) (continued)

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high-quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. To limit investment risk, the Pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(d) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(e) The External Managers Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts. Participants deposit into the Pool a modest amount of cash to minimize rebalancing of cash flows in or out of the Pool when the forward foreign exchange contracts settle.

(f) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(g) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

(h) The External Managers Canadian Equity Enhanced Index Pool consists of a single portfolio of publicly traded Canadian equities in the large cap market and is designed to generate a consistent level of investment return above the total return of the S&P/TSX Composite Index over a four-year period with relatively low risk.

(i) The External Managers Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity markets. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment styles and unique market capitalization focus.

(j) The Growing Equity Income Pool is managed with the objective of providing returns higher than the return of S&P/TSX Custom Dividend Index over a four-year period. The Pool is intended to provide a steady stream of dividend income with potential for capital appreciation by investing in dividend-paying Canadian and U.S. companies that exhibit attractive valuation, growth and quality financial characteristics.

Note 3 - Investments (Schedules A to E) (continued)

(k) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small/mid cap component is managed by an external manager with expertise in the Canadian small/mid cap markets. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period.

(l) The U.S. Passive Equity Pooled Fund and the S&P 500 Pooled Index Fund are passively managed. The portfolios are comprised of publicly traded United States equities similar in weights to the S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pools utilize a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the pools also invest in futures, swaps and other structured investments.

(m) The External Managers U.S. Mid/Small Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. The portfolios are actively managed by external managers with expertise in the U.S. mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index and/or the S&P 500 Total Return Index over a four-year period while reducing return volatility through multiple investment styles and unique market capitalization focus.

(n) The Portable Alpha U.S. Equity Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Externally managed absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the S&P 500 Index over the long term.

(o) The Overlay U.S. Equity Pool is managed with the objective of providing a quick, effective and efficient way to reduce exposure to Canadian equities and increase exposure to United States equities through synthetic instruments on a largely unfunded basis. The Pool is comprised of a long position through United States equity index futures contracts and a short position through Canadian equity index futures contract. Cash and short-term securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in Canadian and United States equity index futures contracts.

(p) The External Managers EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded non-North American equities. Each portfolio is actively managed by an external manager and has constraints on foreign currency management, country allocation, stock selection and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period while reducing return volatility through multiple manager investment styles and market diversification.

(q) The External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The Pooled Fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

Note 3 - Investments (Schedules A to E) (continued)

(r) The External Managers Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolios are actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International Emerging Markets Free (MSCI EMF) Index over a four-year period.

(s) The Private Equity Pool 2002 and Private Equity Pool 2004 are managed with the objective of providing investment returns comparable to the S&P/TSX Composite Index plus 2.5% over the long term. The pools invest in institutionally sponsored Canadian private equity pools managed by experienced advisors with proven records. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool. The Private Income Pool is managed with the objective of providing an investment return comparable to the Consumer Price Index plus 6% over the long term. The Pool invests in infrastructure related projects that are structured to provide high current income.

(t) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through limited partnerships and intermediate companies which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

Note 4 - Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long-term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities.

In order to earn the best possible return at an acceptable level of risk, the Board has established an interim benchmark policy asset mix of 39% fixed income instruments and 61% equities for 2005 and a long-term policy asset mix of 34% fixed income instruments and 66% equities. Equities include investments in real estate and alternative investments. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5 - Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2005:

	2005					2004	
	Maturity				Net		Net
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	%			($ thousands)			
Equity index swap contracts	81	19	-	$382,966	$10,257	$185,918	$6,919
Interest rate swap contracts	48	36	16	125,539	2,489	84,082	(3,116)
Cross-currency interest rate swap contracts	17	31	52	110,488	7,606	83,528	(3,237)
Equity index futures contracts	100	-	-	102,745	1,242	4,916	415
Forward foreign exchange contracts	100	-	-	98,285	(71)	32,993	334
Credit default swap contracts	15	17	68	43,450	402	20,995	120
Bond index swap contracts	100	-	-	27,902	608	9,294	180
				$891,375	$22,533	$421,726	$1,615

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

Note 5 - Derivative Contracts (continued)

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

Note 6 - Net Investment Income

Net investment income of the Plan is comprised of the following:

	2005	**2004**
	($ thousands)	
Investment income		
Net realized and unrealized gains on investments, including those arising from derivative transactions	$156,572	$101,697
Interest income	50,416	41,734
Dividend income	15,105	15,361
Real estate operating income	5,234	4,299
Securities lending income	468	393
	227,795	163,484
Investment expenses	(3,368)	(3,208)
Net investment income	**$224,427**	**$160,276**

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2005	**2004**
	($ thousands)	
Fixed income securities	$52,470	$55,322
Canadian equities	103,056	59,951
Foreign equities		
United States	3,491	7,663
Non-North American	36,313	29,890
Alternative investments - equities	2,465	(366)
Real estate equities	26,632	7,816
Net investment income	**$224,427**	**$160,276**

Note 6 - Net Investment Income (continued)

Investment expenses totalling $3,368,000 (2004 $3,208,000) are included in the calculation of Plan's investment performance results, which are as follows:

	One-Year Return	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return
Time-weighted rates of return*			
Overall Plan	13.1%	7.6%	7.3%
Policy Benchmark**	11.9%	7.0%	6.8%

* The measure involves the calculation of the net return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).

** The policy benchmark return is a product of the weighted average policy sector weights and sector returns.

Note 7 - Member Service Expenses

Member service expenses, including Board costs in the amount of $43,000 (2004 $49,000), were charged to the Plan on a cost-recovery basis.

Note 8 - Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2004 by Aon Consulting Inc. and was then extrapolated to December 31, 2005, after taking into account the impact of salary range increases in 2005. The 2004 valuation was completed after the financial statements of the Plan for 2004 were released. As a result, the differences between the actuarial valuation and extrapolation results for 2004 are accounted for as assumption changes and net experience gains in 2005.

Actuarial valuations were determined using the projected benefit method prorated on service. The assumptions used in the valuations and extrapolations were developed as the best estimates of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board approved these best estimates.

The major assumptions used were:

	2004 Valuation and 2005 Extrapolation %	2003 Valuation and 2004 Extrapolation %
Asset real rate of return	4.0	4.0
Inflation rate	2.75	2.75
Investment rate of return	6.75	6.75
Salary escalation rate*	3.25	3.25

* In addition to merit and promotion.

Note 8 - Accrued Benefits (continued)

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2005:

	Sensitivities		
	Changes in Assumptions %	Increase in Plan Deficiency ($ millions)	Increase in Current Service Cost as a % Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$150	1.0%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	29	0.5%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	297	3.7%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2004 valuation was 21.3%.

Note 9 - Funding Valuation and Extrapolation

The Plan's deficiency is determined on the fair value basis for accounting purposes. For funding valuation and extrapolation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation and extrapolation purposes amounted to $1,836.8 million at December 31, 2005 (2004 $1,731.5 million).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations as at December 31, 2001 and 2004 are funded by special payments totalling 7.2% of pensionable earnings shared between employees and employers until December 31, 2015. The special payments will decrease to 5.1% of pensionable earnings on January 1, 2016 and continue until December 31, 2018 as required to eliminate the actuarial unfunded liability on or before that date. The special payments have been included in the rates in effect at December 31, 2005 (see Note 1(b)).

Note 10 - Comparative Figures

Comparative figures have been restated to be consistent with 2005 presentation.

Note 11 - Responsibility for Financial Statements

These financial statements were prepared by management and approved by the Management Employees Pension Board.

Schedule A

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Fixed Income Securities

December 31, 2005

	Plan's Share	
	2005	**2004**
	($ thousands)	
Deposits and short-term securities	$21,375	$32,805
Fixed income securities (a)		
Public		
Government of Canada, direct and guaranteed	223,628	215,109
Provincial		
Alberta, direct and guaranteed	3,751	301
Other, direct and guaranteed	118,298	115,284
Municipal	3,187	6,249
Corporate	233,137	177,847
Private		
Corporate	143,018	120,959
	725,019	635,749
Receivable from sale of investments and accrued investment income	7,292	5,819
Liabilities for investment purchases	(70)	(3,890)
	7,222	1,929
	$753,616	**$670,483**

(a) Fixed income securities held as at December 31, 2005 had an average effective market yield of 4.24% per annum (2004 4.13% per annum). The following term structure of these securities as at December 31, 2005 was based on principal amount:

	2005	**2004**
	%	
Under 1 year	2	2
1 to 5 years	29	32
6 to 10 years	32	29
11 to 20 years	15	15
Over 20 years	22	22
	100	**100**

Schedule B

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Canadian Equities

December 31, 2005

	Plan's Share	
	2005	2004
	($ thousands)	
Deposits and short-term securities	$2,989	$4,355
Public equities (a) (b)		
Consumer discretionary	25,033	35,330
Consumer staples	15,239	21,496
Energy	115,729	77,428
Financials	137,072	128,383
Health care	4,920	8,089
Industrials	25,540	38,391
Information technology	18,158	23,041
Materials	62,796	72,870
Telecommunication services	22,116	17,905
Utilities	4,464	2,734
	431,067	425,667
Passive index	8,603	897
	439,670	426,564
Private Equity Pool	1,453	1,565
Receivable from sale of investments and accrued investment income	11,771	4,124
Liabilities for investment purchases	(4,977)	(326)
	6,794	3,798
	$450,906	**$436,282**

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $183,833,000 (2004 $88,081,000), which were used as underlying securities to support Canadian equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

Schedule C

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in United States Equities

December 31, 2005

	Plan's Share	
	2005	2004
	($ thousands)	
Deposits and short-term securities	$7,694	$4,367
Public equities (a) (b)		
Consumer discretionary	29,542	39,251
Consumer staples	24,164	19,689
Energy	24,336	16,612
Financials	59,906	50,150
Health care	35,867	29,806
Industrials	32,052	32,691
Information technology	40,269	33,596
Materials	9,621	9,331
Telecommunication services	7,204	6,087
Utilities	9,476	6,941
	272,437	244,154
Passive index	201	-
	272,638	244,154
Receivable from sale of investments and accrued investment income	6,452	1,542
Liabilities for investment purchases	(4,601)	(834)
	1,851	708
	$282,183	**$249,229**

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $188,684,000 (2004 $69,299,000), which were used as underlying securities to support U.S. equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the S&P 500 Index.

Schedule D

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Non-North American Equities

December 31, 2005

	Plan's Share	
	2005	**2004**
	($ thousands)	
Deposits and short-term securities	$1,283	$4,928
Public equities (a) (b)		
Consumer discretionary	35,640	36,333
Consumer staples	20,216	14,966
Energy	22,989	21,981
Financials	83,737	71,394
Health care	23,706	15,614
Industrials	38,028	28,625
Information technology	19,955	12,660
Materials	23,732	20,990
Telecommunications services	19,112	22,184
Utilities	12,684	10,356
	299,799	255,103
Passive index	11,878	7,706
Receivable from sale of investments and accrued investment income	3,223	2,557
Liabilities for investment purchases	(2,256)	(1,102)
	967	1,455
	$313,927	**$269,192**

(a) The Plan's net investment in non-North American public equities includes the fair value of deposits and floating rate notes, totalling $41,903,000 (2004 $33,454,000), which were used as underlying securities to support the notional amount of non-North American equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by Standard & Poor's. The following is a summary of the Plan's investment in non-North American public equities by country based on the geographic location of stock exchange on which stocks were purchased.

	Plan's Share	
	2005	**2004**
	($ thousands)	
	$66,859	$45,877
Japan	61,072	57,539
United Kingdom	30,118	22,920
France	22,262	17,170
Switzerland	17,683	17,576
Germany	15,629	13,908
Netherlands	11,683	11,767
Australia	9,433	10,549
Italy	8,250	6,494
Spain	7,304	4,766
Korea	49,506	46,537
Other	$299,799	$255,103

Schedule E

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Real Estate
December 31, 2005

	Plan's Share	
	2005	**2004**
	($ thousands)	
Deposits and short-term securities	$16	$9
Real estate (a)		
Office	63,196	41,579
Retail	42,148	29,859
Industrial	12,599	6,559
Residential	5,782	4,030
	123,725	82,027
Passive index	2,790	1,037
Receivable from sale of investments and accrued investment income	265	118
	$126,796	**$83,191**

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2005	**2004**
	($ thousands)	
Ontario	$76,743	$53,175
Alberta	33,612	18,185
Quebec	11,042	9,239
British Columbia	2,328	1,428
	$123,725	$82,027

TEN-YEAR PLAN SUMMARY
(UN-AUDITED)

MEPP Ten-Year Plan Summary
as at December 31, 2005

($ thousands)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Change in net assets										
Income										
Investment income (loss)	$227,795	$163,484	$190,938	$(77,975)	$(68,153)	$118,574	$207,667	$105,296	$132,257	$164,541
Contributions	86,003	66,663	56,297	46,230	42,361	38,983	36,336	39,508	36,140	36,807
Total Income	**313,798**	**230,147**	**247,235**	**(31,745)**	**(25,792)**	**157,557**	**244,003**	**144,804**	**168,397**	**201,348**
Expenditures										
Benefits paid	76,873	68,145	61,296	54,714	48,476	43,160	38,232	33,483	27,820	21,561
Refunds to members	1,900	2,117	1,143	1,603	1,247	1,415	1,554	2,651	2,680	1,935
Transfers to (from) other plans	(953)	186	170	293	683	(243)	66,278	(34)	59	189
Investment expenses ^	3,368	3,208	1,930	1,868	1,748	1,496	1,457	219	164	179
Member service expenses	1,416	1,427	1,363	1,105	686	487	581	440	414	315
Total expenditures	**82,604**	**75,083**	**65,902**	**59,583**	**52,840**	**43,315**	**108,102**	**36,759**	**31,137**	**24,179**
Increase (decrease) in net assets	**231,194**	**155,064**	**181,333**	**(89,460)**	**(75,362)**	**111,009**	**135,686**	**108,045**	**137,260**	**177,169**
Net assets										
Investments										
Short-term	11,941	29,865	17,784	9,889	27,737	33,016	3,335	4,043	12,449	19,871
Fixed income securities	741,675	640,618	567,255	529,924	544,517	619,941	569,897	597,605	563,226	473,026
Equities										
Canadian	473,466	449,245	423,513	354,208	457,113	469,248	494,928	365,032	354,951	322,071
United States	282,183	249,229	230,224	212,193	445,930	428,950	378,355	309,543	239,351	225,235
Non-North American	313,927	269,192	255,251	210,579	-	-	-	26,629	27,889	20,207
Real estate	126,796	83,191	72,912	69,780	-	-	-	-	-	-
Total Investments	**1,949,988**	**1,721,340**	**1,566,939**	**1,386,573**	**1,475,297**	**1,551,155**	**1,446,515**	**1,305,852**	**1,197,866**	**1,060,410**
Contributions and other receivables	8,282	5,779	5,215	4,716	4,769	4,318	3,234	3,325	2,975	3,273
Liabilities	(98)	(141)	(240)	(708)	(25)	(70)	(5,355)	(469)	(178)	(280)
Net assets available for benefits	**$1,958,172**	**$1,726,978**	**$1,571,914**	**$1,390,581**	**$1,480,041**	**$1,555,403**	**$1,444,394**	**$1,308,708**	**$1,200,663**	**$1,063,403**
Actuarial value of accrued benefits	(2,124,067)	(1,995,079)	(1,861,928)	(1,692,549)	(1,474,703)	(1,384,545)	(1,311,675)	(1,250,853)	(1,165,653)	(1,065,853)
Surplus (Deficiency)	**(165,895)**	**(268,101)**	**(290,014)**	**(301,968)**	**5,338**	**170,858**	**132,719**	**57,855**	**35,010**	**(2,450)**
Funded ratio (%)	92	87	84	82	100	112	110	105	103	100
Performance (%)										
Long-term goal	6.75	6.75	6.75	7.0	7.25	7.25	7.25	7.5	7.5	7.5
Rate of return-nominal	13.1	10.2	13.7	(5.3)	(4.4)	8.1	16.0	8.8	12.3	18.3
Benchmark	11.9	10.0	12.8	(5.6)	(4.1)	7.0	13.4	11.2	13.4	17.0
Consumer Price Index (Canada)	2.2	2.1	2.0	3.9	0.7	3.2	2.5	1.0	1.60	1.6
Real rate of return	10.9	8.1	11.7	(9.2)	(5.1)	4.9	13.5	7.8	10.7	16.7
Interest Rates (%)										
Bank of Canada	3.25	2.75	2.75	3.00	2.50	6.00	5.00	5.30	4.50	3.30
U.S. Federal Reserve	4.25	2.25	1.00	0.75	1.25	6.50	5.50	4.50	5.50	5.20
Market Indices (%)										
S&P/TSX ($Cdn)	24.1	14.5	26.8	(12.4)	(12.6)	7.4	31.7	(1.6)	15.0	28.4
Dow Jones Industrial Index ($Cdn)	(3.9)	(3.9)	2.5	(17.5)	(1.4)	(2.5)	18.1	24.3	28.0	26.8
S&P 500 ($Cdn)	1.6	3.3	5.3	(22.9)	(6.4)	(5.8)	14.2	38.0	39.2	23.6
MSCI EAFE ($Cdn)	10.0	12.0	13.3	(16.8)	(16.5)	(11.2)	20.0	28.8	6.3	6.6
SC Bond Universe Index	6.5	7.1	6.7	8.7	8.1	10.3	(1.1)	9.2	9.6	12.3
Participants ^^										
Active members	4,447	4,206	4,029	3,665	3,405	3,373	3,003	3,013	3,474	3,500
Inactive members	756	731	770	873	929	861	1,032	867	808	729
Pensioners	2,211	2,016	1,837	1,669	1,480	1,329	1,183	1,048	893	718
Total	**7,414**	**6,953**	**6,636**	**6,207**	**5,814**	**5,563**	**5,218**	**4,928**	**5,175**	**4,947**
Average age of active members (years)	48.9	48.9	48.9	48.9	49.0	47.8	48.1	48.2	46.9	46.8
Average age of pensioners (years)	64.7	64.1	62.1	62.1	61.1	61.1	61.1	60.6	60.1	59.8
Average annual pension amount	$34,977	$35,061	$34,572	$34,476	$34,476	$33,564	$33,564	$33,733	$33,428	$33,192
Contribution Rates (%)										
Employees	10.50	9.50	9.50	7.75	7.75	7.75	7.00	7.00	7.00	7.00
Employers	18.00	13.10	13.10	10.75	10.75	10.75	8.00	8.00	8.00	8.00
Unfunded liability	-	-	-	-	-	-	3.50	3.50	3.50	3.50
Annual COLA, effective January 1 (%)	0.78	3.42	1.02	1.98	1.98	1.32	0.66	1.32	1.26	1.32

^ External management investment costs are not available for restatement for the periods from 1998 to 1996.
^^ Participant counts may differ from the actuarial valuation results due to timing differences and treatment of inactive member accounts.

2006 DIRECTORY

Board Members

Employee Nominees

Gail Armitage, Chair
David Lawson
Bill Lenius (to March 31, 2006)
Scott Kashuba (effective April 1, 2006)

Government Nominees

Nancy Bochard, Vice Chair
Fred Barth
Rod McDermand

Public Service Commissioner Nominee (non-voting)

Lorne Saul-Demers

Investment Committee

Fred Barth
Nancy Bochard (to March 31, 2006)
David Lawson (effective April 3, 2006)
Jim Hinks*
Tania Willumsen*
(*external member)

Advisors and Suppliers

Administrator: Alberta Pensions Administration (APA) Corporation
Fund Management: Alberta Investment Management, the investment operation of Alberta Finance
Auditor: Auditor General of Alberta
Actuary: AON Consulting Inc.
Investment Consultant: API Asset Performance Inc.
Board Secretary: Christa Taylor

Contact Us

The Board and APA Corporation can be contacted at:
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10611-98 Avenue
Edmonton, AB T5K 2P7
Web site: www.mepp.ca

Members – Client Services Centre

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Toll-free: 1-800-358-0840
Fax: (780) 421-1652
Email: APA Corporation general inquiries: mepp.admin@gov.ab.ca
Board: mepp.bd@gov.ab.ca

Pensioners – Pension Payroll

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